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BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
OF THE STATE OF CALIFORNIA

In the Matter of:)	ESCROW LICENSE NO.: 963-2749
)	
THE COMMISSIONER OF BUSINESS)	STATEMENT OF FACTS IN SUPPORT OF
OVERSIGHT,)	ORDER TO DISCONTINUE VIOLATIONS
)	PURSUANT TO FINANCIAL CODE
Complainant,)	SECTION 17602 AND NOTICE OF INTENT
v.)	TO MAKE ORDER FINAL
)	
CASA BELLA ESCROW SERVICES INC.,)	
)	
Respondent.)	
)	
)	

The Commissioner of Business Oversight (Commissioner) is informed and believes, and based upon such information and belief, alleges and charges as follows:

I.
Jurisdiction and Venue

1. The Commissioner brings this action under the provisions of Financial Code section 17414 and the rules and regulations promulgated under the California Escrow Law (Fin. Code, § 17000 et seq.) (Escrow Law).

2. The Commissioner is authorized to administer and enforce the Escrow Law and the rules issued under title 10 of the California Code of Regulations (CCR) that regulate the business

1 and activities of escrow agents.

2 **II.**
3 **Statement of Facts**

4 3. Casa Bella Escrow Services Inc. (Casa Bella) is an escrow agent licensed by the
5 Commissioner under the Escrow Law since April 1, 2014. Casa Bella has its principal place of
6 business located at 27349 Jefferson Avenue, Suite 209, Temecula, California 92590.

7 4. Carrillo was the senior escrow officer and manager employed by Casa Bella from
8 March 2017 to March 2018.

9 5. At Casa Bella, Carrillo was responsible for reviewing daily and monthly reports for
10 any items that needed to be corrected in Casa Bella's accounts. Carrillo was authorized to clear daily
11 and monthly reports for Escrow File Number 2313-LC, which was opened on or around August 25,
12 2017.

13 6. On May 15, 2018, the Department of Business Oversight (Department) received Casa
14 Bella's fiscal year-end January 2018 annual audit report (annual report) from its certified public
15 accountant (CPA). The annual report disclosed that a trust account shortage of \$1,000.00 existed
16 from November 2017 through April 2018 in Escrow File Number 2313-LC.

17 7. On or around July 9, 2018, the Commissioner, by and through staff, commenced a
18 regulatory examination of Casa Bella. The Commissioner's review disclosed Carrillo made
19 numerous posting adjustments to escrow ledgers in an attempt to hide unauthorized disbursements
20 made by Carrillo in Escrow File Number 2313-LC.

21 8. On or around July 9, 2018, a Corporations Examiner (examiner) reviewed the fee
22 ledger, current status reports, estimated closing statement, final closing statement, trust account
23 statements, bank account statements, annual report filed by the CPA, and Escrow File Number 2313-
24 LC. After the review, the examiner determined Carrillo created an adjustment item that caused a
25 \$1,000.00 trust shortage in Escrow File Number 2313-LC.

26 9. The examiner found on or around October 11, 2017, the final closing funds from First
27 American Title Company were credited to Casa Bella's trust account ending in 3544.

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1 10. The examiner also found during her review that on or around October 12, 2017, all
2 the funds were disbursed by Carrillo and the earned fees of \$2,227.00 were transferred by Carrillo to
3 the Casa Bella fee ledger (FEE1). The examiner found that this caused the ledger balance in Escrow
4 File Number 2313-LC to be \$0.00.

5 11. FEE1 issued trust check number 9444 for \$2,227.00 to Casa Bella on or around
6 October 11, 2017. Citizens Business Bank deposited the funds into Casa Bella's general company
7 account ending in 2212 on October 16, 2017.

8 12. On October 23, 2017, Jack Curtis (Curtis) sent an email to Jarrod Whitehorn
9 (Whitehorn), the real estate broker, and included Carrillo requesting payment for Curtis Dump Truck
10 & Blackhoe Services (Curtis Dump Truck). That same day, Carrillo sent a reply email to Curtis
11 stating the invoice was paid.

12 13. On October 31, 2017, Whitehorn sent Carrillo an email regarding the missing
13 payment to Curtis Dump Truck.

14 14. The examiner reviewed two copies of an invoice from Curtis Dump Truck found in
15 Escrow File Number 2313-LC. Both copies of invoice number 20973 were dated October 2, 2017 –
16 before the close of escrow on October 10, 2017.

17 15. The first copy of invoice number 20973 showed "total amount due \$1,150.00" but the
18 amount was crossed out and replaced with a hand-written amount of \$1,000.00. "An approved paid
19 stamp" was marked on the first copy of invoice number 20973.

20 16. The second copy of invoice number 20973 showed a "total amount due \$1,000.00"
21 and had a "paid stamp dated 11/15/2017" on the second copy of invoice number 20973.

22 17. The examiner compared the Estimated Closing Statement dated October 5, 2017
23 (Estimated Closing Statement) and the Final Closing Statement dated October 23, 2017 (Final
24 Closing Statement). The examiner noticed the Estimated Closing Statement did not disclose the
25 \$1,000.00 Seller's credit to Buyer, but the Final Closing Statement did.

26 18. On the Final Closing Statement, the examiner observed the amount due to Seller was
27 \$110,626.48, but Carrillo issued Wire Verification Number 953 on October 12, 2017 in the amount
28 of \$111,626.48 – \$1,000.00 more than the amount stated on the Estimated Closing Statement.

1 19. On or around November 15, 2017, the following transactions were posted to the
2 ledger:

3 a) Carrillo issued receipt number 2652 for \$2,000.00 for the funds noted as
4 “received” from Seller. The examiner could not find a copy of receipt number 2652 in Escrow File
5 Number 2313-LC and there was no \$2,000.00 deposit from Seller credited to the trust account.

6 b) \$2,227.00 was transferred from FEE1 to the Escrow File Number 2313-LC.

7 c) Check number 9956 from Citizens Business Bank was signed by Carrillo to
8 Curtis Dump Truck and paid by the bank on November 17, 2017.

9 20. On November 16, 2017, receipt number 2652 was canceled. The comment section on
10 the canceled receipt showed “wrong amount” and “never printed” was handwritten on the canceled
11 receipt.

12 21. On or around November 30, 2017, the following transactions were posted to the
13 ledger:

14 a) Carrillo issued receipt number 2694 for a \$1,000.00 wire transfer from Seller.
15 A copy of receipt number 2694 was found in Escrow File Number 2313-LC, but no \$1,000.00
16 deposit from Seller was credited to the trust account.

17 b) \$2,227.00 was transferred back to the FEE1.

18 c) The ledger balance for Escrow File Number 2313-LC was \$0.00.

19 d) A \$1,000.00 adjustment item listed as “R#2694 E# 2313-LC Wire T issued on
20 11/20/17 with no deposit at bank” was on the month-end reconciliation report from November 2017
21 through March 2018.

22 22. Adjustment item “R#2694 E# 2313-LC Wire T” caused a \$1,000.00 shortage in the
23 trust account. Carrillo was responsible for reviewing daily and monthly reports for any items that
24 needed to be corrected in Casa Bella’s accounts.

25 23. The \$1,000.00 trust shortage involving Escrow File Number 2313-LC was noted by
26 the CPA in Casa Bella’s annual report in April 2018.

27 24. The examiner requested Casa Bella to produce records concerning the trust shortage
28 in Escrow File Number 2313-LC. Casa Bella gave the examiner a report that indicated licensee

interviewed Carrillo for an explanation, but Carrillo stated she could not recall the \$1,000.00 trust shortage in Escrow File Number 2313-LC.

25. On or around April 17, 2018, Casa Bella canceled receipt number 2694.

26. On or around April 30, 2018, Casa Bella deposited general account check number 2212 in the amount of \$1,000.00 into the trust account and issued receipt number 3145.

27. From November 2017 through April 2018, a trust shortage of \$1,000.00 existed in Escrow File Number 2313-LC.

28. Under Financial Code section 17414, all licensees must immediately report an abstraction or misappropriation of escrow funds in writing to the Commissioner. Casa Bella failed to report the \$1,000.00 trust shortage to the Commissioner and the Escrow Agents' Fidelity Corporation.

III. Applicable Statutes

29. Financial Code section 17414, subdivision c, provides in pertinent part:

(c) Any person subject to this division who knows of a person's involvement in an abstraction or misappropriation of money, funds, trust obligations, or property deposited with a licensed escrow agent shall immediately report the abstraction or misappropriation in writing to the commissioner and to Fidelity Corporation. No person shall be civilly liable for reporting as required under this subdivision, unless the information provided in the report is false and the person providing false information does so with the knowledge and malice. The reports filed under this section, including the identity of the person making the filing, shall remain confidential pursuant to state law.

30. Financial Code section 17602 provides:

If it appears to the commissioner that any licensed escrow agent has violated its articles of incorporation, or any law or rule binding upon it, the commissioner shall, by written order addressed to the agent direct the discontinuance of such violation. The order shall be effective immediately, but shall not become final except in accordance with the provisions of Section 17604.

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No order issued pursuant to Sections 17602 or 17603 may become final except after notice to any licensed escrow agent affected thereby of the intention of the commissioner to make such order final and of the reasons therefor and that upon receipt of a request the matter will be set down for hearing to commence within 15 business days after such receipt unless the licensed agent affected consents to a later date. If no hearing is requested within 30 days after the mailing of such notice and none is ordered by the commissioner, the order may become final without hearing and the licensed escrow agent shall immediately discontinue the practices named in the order. If a hearing is requested or ordered, it shall be held in accordance with the provisions of the Administrative Procedure Act, Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the commissioner shall have all of the powers granted thereunder. If upon the hearing, it appears to the commissioner that the licensed agent is conducting business in an unsafe and injurious manner or is violating its articles of incorporation or any law of this state, or any rule binding upon it, the commissioner shall make the order of discontinuance final and the licensed escrow agent shall immediately discontinue the practices named in the order.

By reason of the foregoing, Casa Escrow Services Inc. has violated Financial Code section 17414, subdivision (c), for failing to immediately report the unauthorized disbursements of escrow funds to the Commissioner.

WHEREFORE, good cause showing, the Commissioner of Business Oversight is issuing an Order to Discontinue Violations and notifying Casa Bella Escrow Services Inc. of her intention to make the Order final.

JAN LYNN OWEN
Commissioner of Business Oversight

By _____
Vanessa T. Lu
Counsel
Enforcement Division